

Statement on Risk Management and Internal Control

INTRODUCTION

This Statement on Risk Management and Internal Control (this “Statement”) is made in accordance with Paragraph 15.26(b) of the Bursa Securities Listing Requirements and the guidelines contained in the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. It is also made in accordance with the Hong Kong Code contained in Appendix 14 of the HK Listing Rules. The Board remains committed to maintaining a sound risk management and internal control system to manage risks and safeguard shareholders’ investments and the Group’s assets.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility in establishing a sound risk management framework and internal control system for the Group as well as reviewing its adequacy and effectiveness. The Board is of the view that the risk management framework and internal control systems are designed to manage and mitigate the Group’s risks within the acceptable risk parameters, rather than to eliminate all risks of failure to achieve business objectives.

The system can only provide reasonable but not absolute assurance against material misstatements, losses, frauds, breaches of laws and regulations, and unforeseen emerging risks because of its inherent limitations.

RISK MANAGEMENT FRAMEWORK

The Group has established an appropriate control structure and systematic process for identifying, evaluating, monitoring and managing significant risks pertinent to the achievement of its overall corporate objectives throughout the year. This process is regularly reviewed by the Board.

The Audit Committee assists the Board in (i) reviewing the adequacy and effectiveness of the Group’s risk management and internal control system; (ii) reviewing management’s identification of the significant risks in accordance with the Group’s risk management policy; and (iii) reporting to the Board of any significant failures or potential breaches of the Group’s risk management policy.

The Group Executive Committee ensures on behalf of the Board that business risks are identified, assessed, managed and monitored across the businesses of the Group. The Group Executive Committee reports quarterly to the Board on changes in the risk landscape and developments in the management of principal risks.

The Group Executive Committee has established two separate Risk Management Committees (“RMC”), one in Malaysia and one in Hong Kong, to oversee and drive improvement in risk management.

The two RMCs are responsible for overseeing the implementation of the risk management framework, reviewing the risk management processes periodically and ensuring that ongoing measures taken are adequate to manage, address or mitigate the risks identified.

The same principle applies to the Risk Management Units (“RMU”), where risk monitoring accountability rests with the respective subsidiaries within the Group. The RMU comprises key management staff from each division within the operating company.

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RISK MANAGEMENT PROCESS

The risk management process is cascaded through the Group. All key management, heads of subsidiary companies and heads of departments have to identify, evaluate and manage risks associated with the business operations on an ongoing basis with defined parameters, and record the identified risks in the risk registers. This process must take place at least once a year.

For each risk identified, the management will assess the root causes, consequences and mitigating controls. An assessment is then made taking into account the probability of the risk occurring and the impact before and after mitigating controls. The content of the risk register is determined through review by the RMU and discussions with senior management.

At each RMU meeting, the overall risk profile of the operating company is assessed, significant risks are identified, the risk register is updated and action plans for mitigation are prepared. A risk assessment report comprising the action plans on significant risks is tabled to the RMC. The deliberation of risks and related mitigating responses are carried out at regular management meetings of the operating companies.

In essence, risks are dealt with and contained at the respective subsidiaries, and are communicated upwards to the Board via the RMC and the Group Executive Committee.

The Group Executive Committee is assisted by the Risk Coordinators in Hong Kong and Malaysia, who act as the Group's focal points for all risk management activities within their respective regions.

PRINCIPAL RISKS AND UNCERTAINTIES

Outlined below are the principal risks and uncertainties that could materially affect the Group's performance. The Board continually reviews the potential risks facing the Group and the controls in place to mitigate any adverse impact. The Board also recognises that this is not an exhaustive list of all relevant risks and uncertainties. Other factors besides those listed below could also affect the Group and give rise to material consequences.

Nature of risk

Impact of the COVID-19 Pandemic

Since the outbreak of COVID-19 pandemic, the global business landscape has become much more precarious due to the greater uncertainty and confusion in pandemic response approaches. The emerging virus variants and challenges of producing sufficient quantities of vaccines and equitably distributing them, have threatened the safety and well-being of people and impacted the sustainability of many businesses.

In the short term, the pandemic will continue to have strategic, operational and financial impacts on many areas of the Group's business. In adapting to the rapidly changing circumstances, the Group will constantly review the risk mitigation strategies to ensure business continuity during this volatile recovery period.

Mitigating actions

- Put in place processes and responses that protect the health and wellbeing of the Group's staff.
- Review control and continuity arrangements for remote editing, production, printing and distribution to ensure that critical operations can continue through the pandemic.
- Streamline business to raise efficiency.
- Significantly reduce discretionary spending, freeze headcount and pay review, and suspend all non-committed capital expenditure.
- Develop and implement plans to grow digital revenue.

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Nature of risk

Economic and Geopolitical Uncertainty

The Group's performance could be impacted by the adverse development in the global economy and the local economies, as well as political uncertainty in the markets where it operates.

The global growth outlook will also continue to be affected by developments surrounding the COVID-19, the Ukraine war, risks of prolonged global supply disruptions, and heightened financial market volatility amid adjustments in monetary policy in major economies.

Malaysian economy's recovery is expected to strengthen in 2022 driven by the expansion in global demand and higher private sector expenditure, and continued targeted policy support. However, the country's political uncertainty has cast a shadow over its road to recovery.

Adverse macroeconomic conditions in Hong Kong arising from the COVID-19 pandemic could affect the demand for advertising, causing a slowdown in the Group's customers' advertising spending, which could harm its Hong Kong business operating results.

Mitigating actions

- Streamline the business process for cost optimisation.
- Adopt prudent financial management practices.
- Keep abreast of macroeconomic and political developments in the key markets where the Group operates and ensure that the Group responds swiftly to changes in risks.
- The Group is diverse geographically and this mitigates the impact of political or economic uncertainty in any particular country or region.
- Continue to invest in the development of the Group's digital offering to ensure that it remains competitive and attractive in the markets it operates in.

Nature of risk

Market Disruption

The Group operates in a highly competitive media industry and the advent of new technologies may adversely affect the Group's business. If the Group fails to anticipate and respond to market disruption and changing consumer habits, this may affect the demand for its products and its long term growth.

The COVID-19 pandemic has accelerated the adoption of digital products and negatively impacted print circulation sales. While the audience of online news is growing, most consumers expect free content. Adding to this, there is an oversupply of advertising inventory, global platforms and growing free news content providers.

The Group must grow its digital audiences, and failure to provide content and services that its advertisers and readers trust and need could harm the Group's brands and negatively impact its operating results and financial conditions.

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Mitigating actions

- Continue to invest in high quality, reliable and trusted content.
- Continue to drive customer registration and engagement to build a closer direct relationship with the Group's audiences.
- Continue to invest in new and existing digital platforms.
- Improve data capabilities.
- Invest in digital talent and human capital.

Nature of risk

Newsprint Price and Supply Risk

Newsprint is a significant component of the Group's publication operating costs. A spike in newsprint price or a reduction in its supply in the market will lead to higher production costs and adversely impact the Group's operating results.

Looking forward, the newsprint price is expected to edge higher in 2022 due to tight global supply conditions, cost pressures and uncertainty about the availability of Russian newsprint.

Mitigating actions

- Closely monitor newsprint consumption and efficient management of pagination.
- Stockpiling.
- Develop a core group of reliable and responsible newsprint suppliers.

INTERNAL AUDIT

The in-house Internal Audit Function endeavours to enhance and protect the organisational value of the Group by providing risk-based and objective assurance, advice and insight. The Internal Audit Function helps the Group in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the adequacy and effectiveness of risk management, controls and governance processes.

The Internal Audit Function undertakes regular and systematic reviews based on an annual audit plan approved by the Audit Committee. The reviews conducted were to provide reasonable assurance to the Board that risk management and internal control processes are in place and operating satisfactorily. For any significant gaps identified, the Internal Audit Function provides recommendations to the management to improve the design, process and procedure, where applicable.

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OTHER INTERNAL CONTROL PROCESSES

Apart from the above, the other key features of the Group's internal control systems are as follows:

- The Group has established an organisational structure with clearly defined lines of responsibilities, authority limits and accountability aligned to businesses and operations requirements;
- Relevant executive directors and senior management have been delegated with specific authorities and responsibilities for monitoring the performance of designated business operating units;
- The Board reviews and approves the Group's annual business plans and budgets. The Group's senior management meets monthly with operating companies' management to review their businesses and financial performances against the business plans and approved budgets. Key business risks relevant to each operating company are also reviewed in these meetings;
- Explanations of actual performance and significant variances against budgets are provided to the Board quarterly. This helps the Board and senior management to monitor the Group's business operations and plan on a timely basis to suit the changes in the business environment;
- Each operating company maintains internal controls and procedures appropriate to its structure and business environment whilst complying with the Group's policies, standards and guidelines;
- The Group maintains appropriate insurance programmes to provide sufficient insurance coverage on its major assets and against libel suits that could result in material loss. The insurance brokers assist management in conducting a yearly risk assessment on the Group's operations, which helps the Group in assessing the adequacy of the insurance coverage;
- The Board reviews all areas of significant financial risk and approves all significant capital projects and investments after a detailed review and consideration;
- The Group has established IT Services Continuity Plans in key business units primarily aimed to handle potential IT service interruptions;
- The Group has established a Crisis Management Team in a key business unit to manage and handle significant risks or crises faced by the business unit;
- The treasury department manages the cash balances and exposure to currency transaction risks through treasury policies, risk limits and monitoring procedures;
- Code of Conduct and Ethics is established and revised in accordance with the latest corporate developments for adherence by all employees to ensure high standards of conduct and ethical values in all business practices; and
- The legal department monitors compliance with relevant laws and regulations including anti-bribery and corruption which govern the Group's businesses.

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WHISTLE BLOWING POLICY

The Group has a Whistle Blowing Policy approved by the Board. The policy outlines the Group's commitment towards enabling its employees as well as any third party who is not an employee to raise concerns including but not limited to the Group's malpractices, wrongdoings or improprieties in financial reporting, accounting, auditing, internal controls, bribery or corruptions, sexual harassment, breach of confidentiality, breach of the Group's policies or failure to comply with legal or regulatory requirements. Proper arrangements have been put in place for the fair and independent investigation of such matters and with appropriate follow-up actions. All matters reported will be investigated and handled with strict confidentiality. The effectiveness of this policy is monitored and reviewed regularly by the Audit Committee.

REVIEW OF ADEQUACY AND EFFECTIVENESS

The Board has reviewed the adequacy and effectiveness of the Group's risk management framework and internal control activities to ensure that necessary actions have been or are being taken to rectify inadequacy or weaknesses identified during the year.

The Board has also received reasonable assurance from the Group CEO and the Head of Finance that the Group's system of risk management, internal control and preventive measures against corruption, in all material aspects, is operating adequately and effectively. For the financial year under review and up to the date of this Statement, there were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

In this connection, the Board concludes that an effective system of risk management, internal control and preventive measures against corruption is in place to safeguard the shareholders' investment and the Group's assets.

REVIEW OF THIS STATEMENT BY THE EXTERNAL AUDITOR

The external auditor has reviewed this Statement for inclusion in the Group's Annual Report for the financial year ended 31 March 2022. The external auditor has reported to the Board that nothing has come to its attention that caused it to believe that this Statement was inconsistent with its understanding of the process adopted by the Board in reviewing the adequacy and integrity of the Group's system of risk management and internal control.

This Statement on Risk Management and Internal Control was approved by the Board on 26 May 2022.